



Mining Equipment and Services

Chile has long been recognized as an important mining country, especially for its copper. This industry continues to dominate the nation's industrial production and export sectors. In 2004, mining accounted for 8% of Chile's GDP and 51.4% of the nation's overall exports (copper alone accounted for US\$14.3 billion). The first seven months of 2005 have seen a 30% increase in mining exports (including non monetary gold) reaching \$11.9 billion. This growth is driven by a significant increase in the demand and prices of these commodities in the international market. Chile has one of the world's largest import markets for mining equipment, estimated at US\$1 billion annually. This makes the Chilean market very competitive.

Market Overview

Investment

- ▶ Mining investments over the last decade totaled US\$28.5 billion.
- ▶ During 2004, members of the Chilean Mining Council alone invested US\$2 billion.
- ▶ The mining sector as a whole is expected to grow 7% annually through 2010, with projected investments exceeding US\$18 billion.
- ▶ Foreign investment plays a significant role in the mining sector, representing US\$1.93 billion or 58% of all materialized foreign investment in Chile in 2002.
- ▶ Expansion over the past 15 years has been fueled by investments from Canadian, U.K., Australian, South African, Japanese and U.S. conglomerates.

Market

- ▶ The Chilean market for mining equipment and machinery reached about US\$500 million in 2004, which in addition to mining consumables (pieces & parts and reagents) represented a total of US\$1.4 billion.
- ▶ Imports averaged around US\$500 million per year. However, there are large inter-annual variations because most of the imports are closely related to specific mining projects.
- ▶ Local production has approached half a billion dollars per year, concentrated mostly in mill balls and wear parts.
- ▶ The state owned copper company Codelco will continue to drive market growth over the next five to seven years. Of the projected \$18 billion for the entire industry, Codelco alone will invest \$12 billion. Thus maintaining its status as the largest single importer of state-of-the-art mining technology, equipment and services.

Minerals Production and Market Share (Metric tons in 2003)

| | Chile's Production | World Production | Chile's Market share |
|------------|-----------------------|---------------------|-------------------------|
| Copper | 5,380,000 | 14,500,000 | 37% |
| Molybdenum | 33,400 | 139,000 | 24% |
| Iodine | 16,200 | 25,500 | 64% |
| Rhenium | 15,600 | 33,000 | 47% |
| Lithium | 6,600 | 15,500 | 43% |
| Silver | 1,300 | 19,500 | 7% |

Source: U.S. Geological Service, Minerals Information Unit.

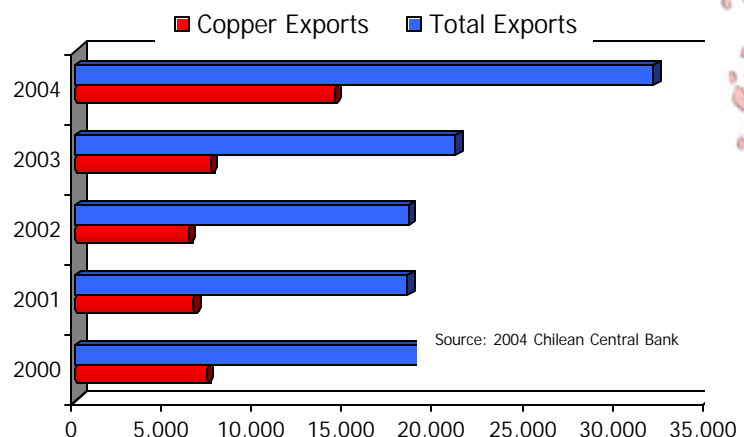
Mining Market Equipment & Consumables (2004)

| | US\$ Million | Projected ⁽¹⁾ Annual Growth |
|----------------------------|--------------|-------------------------------------------|
| Total Market | 1,400 | 7% |
| Local Production | 500 | 10% |
| Imports | 900 | 10% |
| Imported by end-users | 500 | |
| Through local distributors | 400 | |

Source: Compiled from several industry sources.

(1) The estimates made by FCS-Santiago for the next 4 years period are based upon industry experts' projections.

Mining Exports Participation (US\$ billion)



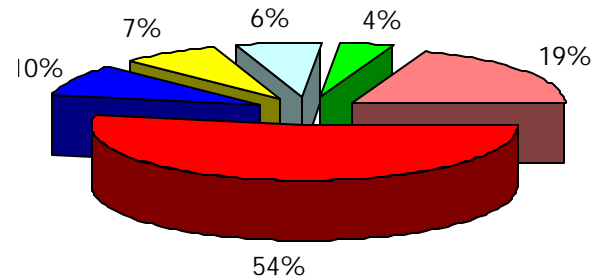
U.S. Position

- ▶ On average, 60% of total mining equipment imports come from the U.S. This market share is supported by a clearly perceived excellence in quality, reliable after-sales service, and compliance with delivery dates. As a result of the U.S.–Chile Free Trade Agreement –in place since January 2004—all U.S. exports have increased on average by 30%, thus reinforcing the presence of those exports aimed at the mining industry.

Competitors

- ▶ During 2004, Brazilian, Belgium, Canadian, and Swedish manufacturers of mining equipment were the most aggressive competitors in Chile (source: Chilean Customs Office). However, the mix of mining-equipment suppliers changes depending on the type of mining projects and its stage of development.
- ▶ Codelco is the world's top producer of copper (ahead of US-based Phelps Dodge). Other key players in the world are Anglo American (England-South Africa), Rio Tinto Mining (England), Companhia Minera Vale do Rio Doce (Brazil), BHP (Australia) and Norilsk (Russia).
- ▶ Codelco collaborates with foreign companies for specific projects. For example, on exploitation projects Codelco is associated with U.S. companies (i.e. Phelps Dodge, Homestake, Newmont) and one from China (i.e., MinMetals). However, for exploration projects it is mostly associated with Canadian companies such as Cominco, Rio Algom and Barrick.

Mining Machinery
Imports in Chile
(2004)



- USA
- Sweden
- Belgium
- Canada
- Brazil
- Other countries

Principal Sub Sectors

- ▶ Copper Mining
- ▶ Gold & silver mining
- ▶ Non-metallic mining (iodine, rock salt, nitrate)
- ▶ Other minerals, including: lithium, rhenium, molybdenum, manganese, iron ore, boron, selenium, calcium carbonate and diatomite.

Commercial Opportunities

- ▶ Equipment that requires regular replacement:
 - ▶ Crushers
 - ▶ Grinders
 - ▶ Off-road trucks (240-440 tons)
 - ▶ Cabbed truck chassis (+ 50 tons)
 - ▶ Part for rock cutters
 - ▶ 360 degree revolving excavators
 - ▶ Cranes and screening machines
- ▶ Environmental system solutions (water treatment, air pollution abatement, mine closures)
- ▶ Underground mining technology services
- ▶ Wear resistant materials

Other Resources

- ▶ Chilean Mining Ministry, www.minmineria.cl
- ▶ Chilean Geology & Mining Service, www.sernageomin.cl
- ▶ Chilean Mining Metallurgic Center of Investigation, www.cimm.cl
- ▶ National Society of Mining, www.sonami.cl
- ▶ Chilean Mining Council, www.consejominero.cl



CONTACT US

We hope that you find this information useful. If you would like further information, please contact Carlos.Capurro@mail.doc.gov, the CS Santiago Mining Specialist. Visit our website (www.buyusa.gov/chile) to discover other commercial opportunities in Chile. (October, 2005)

